

**MINUTES
OF THE STATE TRANSPORTATION BOARD STUDY SESSION**

9:00 A.M., Friday, July 18, 2008
Town of Prescott Valley Council Chambers
7501 East Civic Circle
Prescott Valley, AZ 86314

CHAIRMAN SCHORR: Good morning, and welcome to this meeting of the Arizona State Transportation Board. I see we have a quorum here. Will you please call the roll?

MARY CURRIE: Roll Call: Si Schorr, Delbert Householder, Bob Montoya, Bill Feldmeier, Victor Flores, Felipe Zubia (absent), Bobbie Lundstrom (absent)

CHAIRMAN SCHORR: Thank you. Before proceeding further, Bill Feldmeier, would you lead us in the Pledge?

[Pledge of Allegiance Recited]

CHAIRMAN SCHORR: On behalf of the Board, I would like to thank CYMPO and the Town of Prescott Valley, and the other jurisdictions in this area, for the hosting us last evening at what can only be described as a most excellent reception. We appreciate it, it was fun, and we thank you again for that.

We are living in very (inaudible) times, and some of you may know that it's not intended necessarily to be a positive. It also has negative connotations, and we are facing a lot of problems, both on the national and the local level in funding. As some of the presentations this morning will show you, we are trying to address them, and I'll ask John McGee to please limit his remarks to those concerning good news. I do believe we need to face up to those things, and we will be facing up to them.

I also would like to ask the Mayor of Prescott Valley to see if he would like to address our Board, and Jodi, you're next.

MAYOR HARVEY SKOOG: Thank you, Mr. Schorr, and congratulations, and thanks for your good service, and welcome to all of you, it's good to see you here. We hope that you have a successful funding endeavor and make all kinds of good roads for us. We understand your challenges, but I would expect that good things are going to come out of this as we work through the problem. I think we're looking at another several months of tight economy, but we'll see better times very shortly.

Anyway, it's good to see you all. And you're right, last night's event was just a beautifully done event, and I think Jodi Rooney and all of her cohorts did a wonderful job. It was so nice to see all of you there; we appreciate that you came up for it, and welcome again.

CHAIRMAN SCHORR: Thank you. Jody, would you like to impart a few words of wisdom to us?

JODI ROONEY: Thank you, Chairman. I don't know if I have any wisdom, but I do have good memories of last evening, and I know our supervisor, Carol Springer, who is our Chair of the symposium, welcomed you last night and gratefully I was very honored that you came here to Prescott Valley to our region, and we thank you so much for all that you do.

It takes a lot of time. It's a time consuming job that you have, and sometimes very difficult, but we want you to know that we really appreciate you coming here. Thank you for being with us at the breakfast this morning, and we appreciate all of the people who come in attendance today. Thank you, Chairman.

CHAIRMAN SCHORR: Thank you. Ms. Springer, would you like to address the Board?

CAROL SPRINGER: Mr. Chairman, members of the Board, good morning. Again, I just want to reiterate our thanks to you for the work that you do and for sharing dinner with us last night. We enjoyed getting a chance to talk to you, so again, welcome.

CHAIRMAN SCHORR: Thank you, and we appreciate being here. I personally, and I think the Board also feels that the Prescott area is certainly one of the most beautiful parts of the State, and certainly one of the nicest towns in the West.

CAROL SPRINGER: Thank you.

CHAIRMAN SCHORR: (inaudible)

VICTOR MENDEZ: Thank you, Mr. Chairman. Mr. Chairman, I think first on the agenda is dealing with the Study Session and then move on into the regular meeting.

CHAIRMAN SCHORR: Thank you. John?

ITEM 1: ADOT FY09 BUDGET – John McGee

JOHN MCGEE: Thank you, Mr. Chairman. I thought I dodged a bullet there for a second. I'm here to present today the five year financial plan that has been developed to support the program that the Board adopted at its last meeting. You will see that it is a balanced program; it is fiscally restrained in accordance with Federal law.

Each of you, I believe, received a copy of this; I think the email was from Mary. I don't plan on going through every page number by number; the numbers are pretty self-explanatory. As the Board is aware, they did approve at their last meeting a \$6.5 B program for the period 2009 - 2013. You can see how that program is divided up;

roughly 60 percent of the program will be done in Maricopa County, 40 percent in the rest of the State.

Luckily, we have a financial plan that also totals \$6.5 billion. The four major portions of that plan include Federal funds that will contribute about 44 percent, \$2.8 B to the support of the program. The next largest category is bonding and HELP program, \$2.7, or about 42 percent. State and RARF funding both will contribute about a half billion, or seven percent from each of those two major funding sources.

As the Board knows, we really program two separate programs, the statewide program and the MAG program, because they do have somewhat different funding sources. The major funds that support the Statewide Program are our State Highway Funds, a relatively small amount in terms of pay-as-you-go. Federal funds, HURF funds, and STAN. This slide here shows our current five year estimate, of \$7.62 B as being our current estimate of the total HURF collections that the State will receive over the next five years. And then it shows the statutory distribution, how much goes to cities, counties, ADOT non-discretionary and ADOT discretionary. We do pick up a few additional dollars from miscellaneous sources, to go with those additional state funds, primarily motor vehicle fees and things like that..

We anticipate we're going to have about \$3.11 B of highway funds available for ADOT discretionary uses over the next five years. The biggest majority of that will go for our operating program, almost three quarters of the total. The next biggest use will be debt service, and then you can see the other uses. One of the smaller uses, actually being the amount that goes to support the Capital program, the 5-Year Program.

We anticipate receiving just a little less than \$4 B of Federal Funds over the next five years, of which about almost three quarters will go to ADOT and will be available for the 5-Year Program. So when you put all of these pieces together, you've got a little over \$3 B of anticipated Federal funds flowing into the program, about \$90 M of ADOT discretionary, about \$590 M of HURF bonds that will be needed to balance the program, about \$100 M of STAN funds, and about \$120 M of GANs. All totals the \$3.95 B.

MAG gets a portion of that, what we call their 37 percent funds, which totals about \$1.1 B. We program on a cash flow basis, and our cash flow model needs to show at the end of each year that we have a cash balance that meets our guidelines. Our guidelines, for both the Statewide and the MAG program, are approximately eight weeks of cash at the end of each year. For 2009, we anticipate eight weeks of cash will be just a little under \$200 M. The second line shows what the model projects we will be at, and as you can see, they are virtually the same. That's as it should be, because the way we balance the program is by moving bond proceeds from year to year, and that balances the program.

This chart lays out the amount of HURF and GAN debt that the program will require on the statewide side, and that totals to \$590 M of HURF debt that will need to be issued, and \$120 M of GANs. The MAG program is funded by a lot of the same funds as the Statewide Program, except obviously the MAG program can also rely on RARF funds

and bonds backed by a pledge of those funds. Again, this chart shows all of the various funding sources that will be available over the five years, their amounts and their percentages, and then how those monies will be used, with the largest piece obviously going to construction, right-of-way, and design, and then the second biggest part of the piece going to debt service. Again, we also do the same analysis to insure that our expected balances at the end of each year meet or exceed our guidelines, and again, as you can see here, the model projects it will.

The amount of debt that would need to be issued to support the RARF program is shown on this chart. Approximately \$2 B of RARF debt will need to be issued, and this is in line with prior projections. As the Board is aware, one of the strategies for accelerating the RARF program is to utilize what we call a maximum bonding approach, which means that we bond our RARF revenues down to a relatively low coverage level of 1.2 times. So we'll be looking at issuing a little less than \$2 B of RARF debt and about \$60 M of grant anticipation notes; that's the remaining grant anticipation notes that need to be issued for the I-10 widening project.

This chart takes the two charts that you've previously seen for the MAG program and the Statewide Program, and combines them to show that we will need to issue about \$2.7 B of debt over the next five years in order to complete the program. Even though that represents about 43 percent of total funds needed for the program, that's actually down a little bit from last year. Last year's number was 50 percent, so the amount of bonds debt that would be needed to construct the program is actually going down slightly compared to last year.

This is a chart that we've been showing the Board for a number of years. I find it highly interesting. The first question I get asked is: "Well, is this good or is this bad?" and as I always say, "Well, I don't know, but it's interesting." What it shows is how much outstanding principal debt we have had or anticipate having in the future on a year-by-year basis compared to the total amount of revenue that we anticipate will be coming into the Department. As you can see, back in the late 1990s, we were at a ratio of about 1.8-to-1. We dropped all the way down to a ratio of about 1.1, 1.2-to-1. The reason that this happened is that we were paying off previous RARF bonds during the early part of the 2000's.

Now, we've got the new half cent which had no debt against it, so we're starting to build up our outstanding debt, leveraging that revenue source more highly, so you're going to see that ratio go back up. The main reason that it's a little higher in nominal terms, say in 2011, 2012, 2013, than it was back in the late '90s, is because we had neither the BFO program nor the GAN program in the 1990's. Those are two new debt tools that we added to the mix beginning in 2000, 2001, 2002, in that time period. So the nominal amount on a ratio basis will be higher than it was in previous years.

Any time you're doing a financial plan like this, you have to make a lot of assumptions. I have listed on the next several pages a number of assumptions issues and some conclusions with respect to the five year plan. But one of the first things I wanted to go

over has to do with what happened during the just recently completed legislative session and what the impacts on ADOT's funding were as a result of that. The legislature appropriated \$84.9 M dollars off the top of RARF to support DPS. Our portion of that is \$42.8 M. It also appropriated \$41.1 M from State highway funds. Those are our funds, and those are not shared with the cities and counties, so our impact on that is 100 percent, \$41.1 M. In addition, they did a small vehicle license transfer to the State General Fund from ADOT's share of vehicle license taxes, \$8.4 M dollars. So the total of those three items is about \$134 M, of which the impact on ADOT is \$92.3 M.

In addition, there was also an additional \$18 M sweep of aviation funds, which will impact Barclay's program significantly. In total, ADOT was impacted to the tune of about \$110 M dollars of transportation funds. Now, the statutory requirement would be about \$15 M dollars, so about \$95 M dollars more than the statutes would require. In addition, the legislature adopted an operating budget which includes an appropriation of \$420 M from the State Highway Fund. That's up just slightly from the year before, I think about \$418 M, so the growth in our operating fund was pretty highly restricted this year. They also appropriated \$11.7 M of what we call LBI; that's land buildings and improvements, that's all the money they give us to keep up our facilities. That number is actually down about \$5 or \$6 M from the prior year.

Here are a few other assumptions that went into the financial plan for the program. Number one, apart from fiscal year 2009, we have still assumed the statutory funding level for DPS for the periods of 2010 - 2013. Whether or not that comes about is going to be a direct function of how well the general fund does over the next few years.

Our anticipated growth rates for HURF are about 4.4 percent; this is down from our average over the last 10 years or so, of about 5 ½ percent, so we've been a little bit more conservative, but we anticipate that over the next year or two growth in HURF could be challenging.

For the federal funds forecast, we anticipate an average growth rate over the five years of about 2.4 percent. We are anticipating no growth in 2010, because that's the first year of what should be a new re-authorization period. If trends hold from previous years, they never get it done in the first year, and so generally what Congress does is operate the Federal program on what's called a "continuing resolution basis," which means they essentially give us the same amount of money that they gave us in fiscal year 2009 until they get the re-authorization done.

So we've anticipated no growth in 2010, and then about 3 percent growth from thereafter, so that averages out to about a 2.4 percent growth. We've also anticipated about a 2.4 percent growth in our operating budget.

The HURF bonding numbers that I showed you do not reflect the additional \$500 M of capacity that was generated when the legislature extended the final HURF maturity dates from 20 to 30 years. The ability to tap into that and generate that additional \$500 M was really predicated upon the growth in HURF revenues that we anticipated seeing over the

next two or three years. Obviously that has not happened --during the regular meeting I'll be reporting on actual HURF growth for the year.

Here's kind of what happened in a simple allegory: It's somewhat as if I go to my mortgage broker and I say "I want to get pre-qualified for a mortgage, and I'm making \$80,000 a year." The mortgage broker says "well, okay, do you want to do a 20 year loan or a 30 year loan?" I say "well, what's the difference?" and he says "well, if we do a 20 year loan, I could qualify you for \$300,000; if I do a 30 year loan, I can qualify you for \$400,000." So I say "well, great, let's do a 30 year loan." The next day, and this is almost literally what happened, the next day I go back into work and my boss says "you know, times have been tough around here, John, we're cutting your salary from \$80,000 to \$60,000." Well, I no longer qualify for a \$400,000 loan, I maybe qualify for the \$300,000 that I would have previously, and so that's kind of what has happened here.

It's not as if we will never see that additional \$500 M, but it's that we will not be able to access it until such time as revenues get back up to the levels that we were anticipating, and that could be two, three, four years. So we have not grown the program, and we do not have that capacity currently available to us. In fact, if you look at the amount of HURF funding capacity that we will have in 2009, compared to what we thought we were going to have a little over a year ago based upon what we thought 2009 HURF revenues would be, that capacity has actually dropped about \$659 million.

One thing I always like to do is alert the Board to potential upsides that might be available going forward, and certainly potential downsides. There are upside potentials. We do still have some remaining GAN capacity for statewide use; we do have in the program \$120 M, in 2010 to do the next phase of I-10 down towards Tucson. But aside from that, and about \$20 M dollars remaining outstanding bonds for the Hoover Dam, we do still have some GAN capacity if we need to tap into it. Cost pressures, at least for the moment, seem to be easy. The rate of increases are not going up like they were two or three years ago, except for oil, and that's really kind of up and down.

Certainly the TIME Initiative is a huge potential upside for future funding, if that were to pass. On the downside, certainly state and national economic growth is a big unknown, and that really impacts us two ways: First, is the direct impact that we see on our own revenues. Secondly, it's the impact that they have on State General Fund, and then the General Fund's need to look more closely at DPS diversions and other such options.

Always a major downside potential are geopolitical uncertainties. When you live in the world that we live in today, as unstable as it is, anything can rattle the markets and change the economy very quickly. I think the general belief is that the days of \$2 a gallon gas are probably behind us. Whether they stay at \$4 or not, who knows, but I really think people are definitely beginning to change their habits; the types of cars that they buy, how they drive, those sorts of things. Those could have some long-term implications on our fuel revenues.

There is always a pressure, particularly in difficult times, to cut or re-direct VLT,

although I personally found it a little bit heartening, given the magnitude of the problem with the State General Fund this year, probably the biggest percentage they've ever had to deal with in terms of potential deficit, that they only hit us with about \$8 M dollars of diversions. If you recall, it wasn't too long ago that was a \$118 M diversion, so that's a little bit heartening.

Lower HURF revenues have certainly resulted in significantly lower bonding capacity in the short term. Not that we have lost that bonding capacity forever, we just have to wait for revenues to catch up. And then finally, a major remaining issue out there is the financial condition of the Federal Highway Trust Fund. And I don't know if Victor wanted to make a couple of comments on that?

MR. MENDEZ: I think you're all aware; clearly there is still a lot of uncertainty about whether or not Congress can fix the budget for this year. The estimates are that the Highway Trust Fund will have a shortfall between \$3 B to \$5.3 B. More recently, given the economic conditions, that number might have increased. And so moving to this next year, one of the things that we're going to have to take a real good hard look at is how we manage and advertise projects, given that Congress has not yet fixed the Highway Trust Fund issue. We don't want to get in a situation where we're in contractual agreements and then find out that possibly Congress did not fix the problem and then we'll be trying to figure out how to meet those contractual agreements.

Again, that's only Federal portion of our funding, so I think it's really important for us to keep that in mind. It's interesting; the scene seems to change every day. It seems about a month ago, there was some potential fixes in the mix, in the aviation re-authorization discussion, and then at the last minute it seemed like it was going to happen, and then at the last minute, I forget which Senator derailed that effort. And so it surprised everybody.

This week, as we're preparing for the presentation here, things were looking very dire. Yesterday morning I believe there was some movement in both the House and the Senate to fix the problem. So it's very difficult for me right now to determine whether Congress is going to fix it sooner or if it's going to drag on.

MR. MCGEE: So to get to the good news that the Chairman is looking for, based upon what we know right now, based upon the myriad of assumptions that go into any financial plan, it is complex and there are lots of them, we do have a program and we believe sufficient financial capacity to do both the Statewide program and the MAG program, each year for five years with a cash balance within the established guidelines. Again, that's what we know today. What we know tomorrow might be different, so I would be happy to answer any questions that the Board might have.

CHAIRMAN SCHORR: Does the Board have any questions of Mr. McGee?

MR. MCGEE: Thank you.

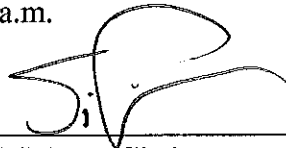
CHAIRMAN SCHORR: Thank you very much. I believe that concludes our study session. Does anyone move to adjourn our study session?

BOB MONTOKA: So moved.

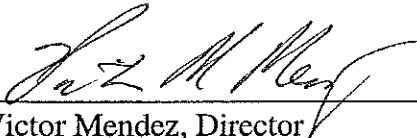
CHAIRMAN SCHORR: Moved and seconded. We'll now proceed to the regular agenda. Counsel advises we must have a break - we will take a 10 minute break until 9:45 a.m.

Adjourn:

The meeting adjourned at 9:35 a.m.



Si Schorr, Chairman
State Transportation Board



Victor Mendez, Director
Arizona Department of Transportation

**MINUTES
OF THE STATE TRANSPORTATION BOARD MEETING**

9:45 A.M., Friday, July 18, 2008
Town of Prescott Valley Council Chambers
7501 East Civic Circle
Prescott Valley, AZ 86314

CHAIRMAN SCHORR: We are now in the regular session. Is it necessary to take a roll call again?

MARY CURRIE: Roll Call: Si Schorr, Bob Montoya, Bill Feldmeier, Felipe Zubia, Delbert Householder, Bobbie Lundstrom (absent)

CHAIRMAN SCHORR: You will treat my opening remarks to the study session with my remarks of this session, and proceed right through.

District Engineers Report – Dallas Hammit

DALLAS HAMMIT: Thank you, Mr. Chairman, and members of the Board, welcome to Prescott, we're happy to have you here. I have a brief overview of what's going on here and what we have coming up, and a couple of our challenges.

Our current construction program, right now you're actually \$120 M dollars under contract in the Prescott District. With some of the bigger ones being the project that you drove through this morning, here's a map, this map, every barricade indicates a project in our district, so you can see that we're spread out throughout Wickenburg, Verde Valley and here in the Prescott area.

The 89/69 interchange is a \$23 M project about 38 percent complete. Our new project builds a new 89 ramp to Sheldon Street, so you can go to the college without working across the 69 traffic. Our current bridge was sub-standard; you can see we have the abutments built for the new bridge, which will take care of that. We hope to be open to traffic next summer.

Another project we have leading up to the Verde Valley, is making a two lane into a four lane divided roadway, two lanes going west. We have over 600,000 yards of material; we have a couple of 90 foot tall bridges; this project is \$14 M, and 44 percent complete. We are hoping to complete this fall with lanes open to traffic. Also in Verde Valley, in Cottonwood, between Cottonwood and Clarkdale we have a project that will be a four lane divided roadway, the division with a raised median. This project incorporates five roundabout interchanges along this two and a half mile corridor. It's a little over \$10 M project, we're 30 percent complete and hoping it too will be done before Thanksgiving.

The Wickenburg interim bypass is our largest project we have under contract right now. From Phoenix you'll move into the roundabout, that is where you make the decision to take the bypass 93 to Las Vegas, or go through town on U.S. 60. There is a pair of bridges; the one closest to us comes out; the second one stays in and remains as a pedestrian bridge. We are about 33 percent complete and hope to open it next summer. We are also putting in for improvements coming in from (inaudible) Wash into the Hassayampa River, it ties into a project that Maricopa County Flood Control is doing upstream of wash.

This project is up for your consideration today. This is the Chino Valley SR 89 Street to the city limits. This is ADOT's first contract manager risk project. We've been very happy with this delivery method in the district, working with the contractor up front. I have learned a lot; how they bid. It's been very eye opening for us. This project will have four lanes with a raised median similar to the Clarkdale project. We do have one roundabout on this project, a signal, and then we're doing the (inaudible). If awarded today, it has a guaranteed maximum price of a little over \$19 M. They are geared to start working Monday as soon as we can give them the go ahead.

One of the more interesting parts of the job, Good Friday of this year I received a call at 5:00 p.m. saying "the road is buckling on 87, it's coming up, we have about a six inch bump." By 6:00 p.m. it was over a foot, and we closed southbound SR 87. By 7:00 p.m., we had to close northbound. You can see the fault that came in right in here which is the buckling of the roadway. There is a retaining wall right here that collapsed. This little circle here, this next slide, its right in that circle. That actually dropped about 12 to 15 feet. At midnight we were out there evaluating to see if we could open the road the next day. It was determined that we were not.

We removed a little over 200,000 yards of material from the site hoping to take the load off of the hillside. It is called a rotational land slide; so basically, I thought of a landslide came over the top and over the road, this actually rotated underneath. What we did was try to take the pressure off the top of the hill so we could relieve that pressure. We drilled a shaft to place H piles. It will do two things: Support and help with that rotation, and we will build a retaining wall on top of that to help some of the slopes moving down. The hill is still moving and we are still measuring that.

Some of the projects we have under development right now are: On U.S. 60 we have one advertised for a interim bypass. It is an interchange improvement, not a new interchange, we are redoing the ramps and we have some bridge preservation funds. On SR 87 we have some shoulder improvements between Payson and also south of Pine we have two projects, both with (inaudible).

The Little Green Valley project on SR 260 will be a little over \$30 M. It will build three miles connecting a gap between Preacher Canyon and Kohl's Ranch three miles. A four lane divided roadway and two wildlife friendly bridges.

For those of you who drove up from Phoenix came in through the Cordes Junction interchange, we are at 30 percent design right now on this project. We have received word from Federal Highways that they would approve if we choose to go with this delivery method. It is my understanding that it would be one of the first on the Federal system if we go this way. It incorporates the existing interchange; and removes the movement of merging into high speed lanes when leaving McDonald's and conflict of turning left to go north to Flagstaff.

The Phoenix to Prescott is a high speed ramp with no conflicts. It does incorporate a couple of roundabouts; this roundabout is fairly crucial because the community really needed this as a two direction roadway. This is one direction, so to have an intersection where you're bringing two directions into one, and not have someone going the wrong way down the freeway, the roundabout worked very well in that area.

In the last few years the Board has appropriated money for surface treatments and helped the districts greatly. We have \$613,000 and we're able to treat over a 136 miles and spread it out throughout the district.

One of the largest and most time consuming is the Trans-western pipeline and that's coming from Ash Fork, goes down near Tucson; over 12 permits have been issued and the 13th is pending if we can combine them. There are numerous challenges to cross interstates, local roads and rivers.

The Town of Prescott Valley and their developers added a lane in each direction on SR 69 for about a mile, and put in a new signal. The developers funded this completely -- about a \$7 M dollar project.

The City of Prescott is designing and funding an interchange with their developers where Fain Road ties into 89. They hope to be in construction next June. This will be a permit on the state system. Yavapai County also has some funds under this project.

A big housing developer is going to do some intersection improvements on 89. When I got to the district, this was a hot issue and we found out that the developer was talking with me and also the County, not always telling us the same story. We then developed a group we call "CTLU," Coordinating Transportation and Land Use. ADOT and Yavapai County sponsored this. We meet regularly. Our goal is to exchange information on the land use, including the engineers and the land use planners. Federal highways has come to the majority if the meetings. CYMPO also participates. Our benefits? We're the united voice. The developer wanted to have two meetings; he wanted to meet with the County and ADOT. ADOT and the County attended both meetings to hear the same story. The County has backed us on our requests.

Chris Bridges, our Team Leader, is going to Portland, Oregon to speak to the TRB on this subject. We've won partnering awards and highway awards for this system that works very well in this area. Not only do we meet, we put out product. We get together joint funds and we put an access management plan on 89 between, Wickenburg and Congress. When developers come in

now, the County can request a certain amount for roadway use. ADOT's permitting also allows for certain items because we have a document that backs us up. That all came out of this CTLU.

Also, Prescott Valley has been very successful and done a great job with some enhancement projects along 69.

Right now we have a DCR underway along I-17 from Black Canyon City to Cordes Junction. We have three routes; one that is farther away from I-17 and gives the most new alternative and also has the most environmental impact. We have a route that's a little closer; it still gives us a new alternate route, and then a route that you can barely see. This became very evident issue last week when a truck broke down with a large load. Victor and I had phone calls late at night, "Get that off the road." The front of the truck was against the guardrail and the back end is blocking both lanes and you can see it lean as they tried to fix it. There was concern that if the load came off the trailer, it would roll across southbound. Both northbound and southbound were closed for safety. The truck springs broke and the trailer went right down on the wheels and ground to a stop. Late Thursday night they said it was fixed. The driver was well over time so drivers were switched. They took off Friday, made it two miles and broke down again. We moved it out with the biggest tow truck we could get with a winch, a hundred feet at a time to get it into a tandem section. We had loaders ready and were going to move it off the road any way possible. Fortunately we made it to Sunset Point. Inspections were completed and it failed. Luckily yesterday, it finally got off and it is now at its destination. With that, do you have any questions?

CHAIRMAN SCHORR: Any questions? Thank you very much.

VICTOR MENDEZ: As Dallas mentioned, I didn't know I was that nice when I said, "Move it off the road." But it was a major issue and we had to deal with it quickly and it's not something that the citizens should have to put up with twice in two days.

CHAIRMAN SCHORR: I have a question. Aren't there any standards on how (inaudible)

VICTOR MENDEZ: There actually is a permitting process that we go through for various types of loads and such, but ultimately, one of the concerns that I had is as we went onto the third day and beyond is that we really are not in a position to inspect and be the voice of authority on whether their equipment is adequate. That's their responsibility and the leverage that we have is with the permitting process that we can impose stipulations. So the things that I suggested very strongly, if they're going to move again, I want them to have a towing capacity as part of their escort so if they break down, they can move it immediately. You don't have to wait for DPS. So there are certain things we can do.

CHAIRMAN SCHORR: What leverage do you have?

VICTOR MENDEZ: We don't issue a permit. If they don't have a permit, they can't be on the road and DPS can pull them off the road. Frankly, I was very unhappy with that whole situation. I believe Friday when it happened again, it created an eleven mile backup and that's not

acceptable for the public and they shouldn't have to put up with that. One breakdown I can understand. Two in two days I think is irresponsible.

CHAIRMAN SCHORR: Is there any possibility of assessing fines?

VICTOR MENDEZ: We're looking into that. That's down to trying to recover costs for DPS. If there's any way to impose a cost on the public, we have to consider that, too. So, we're assessing all that. But I was nice. Let me comment on a couple of elements. Dallas mentioned SR 87 and the fact that the pavement buckled or actually had a landslide. And just a couple of observations -- I think you can tell by the presentation and enthusiasm that Dallas and his staff exhibited in addressing the issue. You know, we have really great staff out there. As Dallas was saying this occurred late in the afternoon, 5:00 p.m. or so, we were on the phone. I can tell you Dallas was on his way over there probably at 8:00 p.m., the middle of the night he got there, and I just want to say thanks to our staff. They're always on the ball.

And it's not often that you hear about this. You know, people hear about the fact that we addressed the issue; we opened the road, but our maintenance folks, Dallas' folks, our communications people kicked into high gear. We were communicating with the media north of Arizona and the Phoenix area basically telling people, you know, if you're going to come up here, here's what you're going to encounter, and here are some of the detours you may want to consider. So, I just want to say publicly thanks to Dallas. Dallas is always out there and so it's important for us to recognize that.

ITEM 2: Directors Report – Victor Mendez

Let me just then comment on some of the issues outside of what Dallas mentioned. I do want to thank the community, CYMPO, and Prescott Valley for hosting us today and last night. It was excellent food and great company. I always enjoy visiting with a lot of you and it's good to just get out and talk to people.

What I wanted to talk about today briefly and I know we're pressed for time, but I think this one is very important. I do want to talk a little bit about the regional freeway system in Maricopa County because on Monday we will open the last segment of the 1985 plan that voters put into play in the mid-80's and you may wonder why when we're in Prescott Valley, why do we want to talk about the Regional Freeway system in Maricopa County? And so, let me come back and answer that question.

But first, let me describe what we have done. Since 1985 the Board has been very supportive of these issues through the past 23 years. In 1985, the citizens of Maricopa County voted on the regional freeway system, a twenty year plan. They demonstrated a lot of foresight, a lot of vision, a lot of courage for people to step out and say, "Let's impose a half cent sales tax because we see what's going to occur in the future in Maricopa County."

So, 23 years later -- along the way, we actually learned a lot. You know, it probably was one of the larger projects in the United States where we actually were retrofitting a freeway system into pretty much an urbanized area. Now, not everything's fully urbanized, but we actually retrofitted a lot. Within that process in the past 23 years, a lot of innovation occurred. We learned a lot about construction, financing, you know, John McGee talked to you about our financing program. We sit here 23 years later and it's like we do this every day, but back when we were talking about SIBs and BFOs and all kinds of bonding, it was very different throughout the entire United States.

We innovated a lot in terms of technology. We implemented the regional freeway management system; a lot of video cameras that, as you know, now is standard throughout the entire United States. Any time you watch the news in the morning and afternoon that's where the TV stations pick up a lot of that video. We also innovated our public information processes. Over the years, the public has become a lot more sophisticated. We have instant access to all kinds of media and information, and within that we have had to really evolve our internal processes to be able to communicate with the public in a more efficient manner. Many things have evolved as a result of that. The end result is that on Monday morning, we will open the final section of a regional freeway system.

We have built 137 miles of new freeways in the Maricopa County area. On Tuesday, we had our traditional freeway picnic - the residents love that; families, kids are all out there. The Governor was there to show her support for transportation. She did address the vision for the future. Felipe was there representing the Maricopa County area and several other elected officials. The new Mayor from Mesa, Scott Smith, was there and so it was a good time.

But the reason I raise this issue is, once again, to really come back to the question is: why are we talking about a regional freeway system in Maricopa County and we're sitting here in Northern Arizona? I say this to you as a demonstration of what people in the early to mid-1980's had as a vision. They had courage and they stepped out and they were trying to figure out what's going to happen in Maricopa County? How do we want Maricopa County to grow? What's going to occur? What kind of an influence may we have in that growth?

That's where we are today come Monday morning, maybe this weekend; we may open a couple of days early. By the way, this system is opening seven years earlier than predicted back in 1985. The system was supposed to open in the year 2014. So, we've done a lot of great things with the public, elected officials, business, and community leaders that have all been involved. As we move toward the future, we have just heard John McGee's very negative report on revenues. The economy is not doing well and so we, as a state, need to then take the next look at the next step in the marathon.

There is, by the way, today published in the *Arizona Republic* an article that I wrote talking to this issue on a statewide basis. We have to be able to look at the vision in the next 30 years. Where do we want the State of Arizona to be in 30 years? The only thing I can say to all of you that are here in the audience and the Board; think about the Regional Freeway System. If we were sitting here today without 137 miles of new freeways, imagine trying to travel around without it? It would be virtually impossible. I would say that as we continue to look toward the future, I hope we're not sitting here 30 years from today thinking, you know, we should have done something different.

We have a lot of challenges in the future. The State's going to continue to grow. We know that. The estimate is that we will double in population in the next 20 to 30 years and so it's going to be important for all of us to get a hold of that vision and take some courage -- it will take courage, and then see what we can do to really address the issues for the future. I use the Regional Freeway System as the culmination of that system as one way to look at the world. If we look back and you think about what the people in 1980 and 1985 are thinking, they did it right, and so hopefully, we'll be able to do it right. So, with that Mr. Chairman, I'll just open it up for any comments or questions you may have.

CHAIRMAN SCHORR: Any comments or questions by the board?

(inaudible)

ITEM 3: Legislative Report – Gail Lewis

GAIL LEWIS: Good morning, Mr. Chairman, members of the Board, I want to just echo the words of appreciation that have been said for CYMPO the Prescott Valley Region. We really appreciate them and the great job that they have done in hosting us today.

I am here to give you the closing report from the Arizona Legislative session. The legislature adjourned on Friday, June 27th, at 10:10 p.m., so we had three whole days to spare in getting the budget passed. The 2008 session lasted 166 days and considered 1380 bills, resolutions, and memorials. So, that's what Kevin does with his days when the legislature is in session. Three hundred and forty-eight of those passed and 27 were vetoed, so that gives you an indication of the volume of activity. Sometimes having less money doesn't mean you are actually doing less or have less going on. Sometimes it's more about the fight because of the resources that are available.

The budget discussions really did dominate the entire session and so there was perhaps not as many other things going on as there might have been otherwise. Nevertheless, there were some important things that passed for the Agency and I'll just run through them really quickly. House Bill 2046, which allows a special license plate for the benefit of *Arizona Highways*; the *Arizona Highways* license plate is being designed by the Department of Motor Vehicles and, of the \$25 annual cost, \$17 will be deposited into the *Arizona Highways*' fund, so that will help

make the magazine more of a profit center and keep it self-supporting and self-sustaining. So, if you're looking for a new license plate in addition to Win Holden, we'd like to see some other folks driving around with their *Arizona Highways* license plate.

This same Bill also was amended by Chairman Gould to include the potential for a license plate that says, "In God We Trust" and if some organization steps up with the \$32,000 lead that it takes to create a new license plate, then the entire \$25 fee for that plate will go into the State Highway Fund. But nothing has happened with that so far.

House Bill 2094, the Highway Project Advancement Notes allows counties, as well as cities and towns to take care of those notes and to issue those notes and allows the STAN money to be used to repay those notes.

House Bill 2133, allowed for the addition of another transportation district. If a county reaches a population of 500,000, it would become a district in and of itself and that would add a new member to the Board. Right now only Maricopa and Pinal County fall into that category. Probably the next one to reach that milestone would be Pinal, but that's not going to happen too quickly. So, at some point, you may have a new colleague.

Senate Bill 1466 - Rest Area Privatization. We've talked about that in some length before so I won't go over it again except to say that it has now been signed and is enacted into law. So that's something that we can move forward on, and we sort of talked about the timetable for that. I believe our consultant will be back in, in August or September to make a report to the Board. They are working on the legislation and will be prepared to come back, telling us how this may help us move forward on rest area privatization.

Senate Bill 1468 - ADOT Continuation. As you know, agencies go through a sunset review process which has been mandated by the legislature. We had our sunset review; it passed with flying colors and we have been given the go ahead to exist for another eight years. There are some legislators who think that a five-year time frame is actually appropriate for state agencies and that we should go through the sunset review process every five years. This is a very time consuming and expensive process and the Auditor General's office doesn't have the resources to go ahead with the audit five-year schedule; nevertheless, there was a push in a couple of instances for a five-year continuation. We were able to compromise at eight years and that's going to be helpful.

Senate Bill 1473 - Logo Sign Program. You've all seen those logo signs as you drive on the interstate that tell you there are gas stations and restaurants coming up. We're now going to be able to add 24-hour pharmacies to those signs, so if people are driving and they're in need, they'll know that there is a 24-hour pharmacy available. Also, in keeping with the sort of public/private partnership theme, we have been allowed to engage with a third party vendor to put those signs up, and any revenue that comes back from those signs will come in to ADOT and will go into the State Highway Fund.

House Bill 2156 is a railroad bill that requires railroad projects of a certain size to go through a review process. Fortunately, it also requires the railroad to reimburse ADOT for all the costs of collecting the information and of holding the public meeting, so this should be revenue neutral for us, although it could potentially be very time consuming. Railroads operate under their own set of rules from 1887 that give them great authority under federal law to exist. There is some question about whether or not this bill pushes the railroads' federal authority and some question about whether the railroads will challenge this in the courts.

So, if they do, this process may be on hold for a while. If they decide to voluntarily go ahead with the review process, then there are a couple of projects pending out there that can make this move fairly quickly. By the way, we were able to get projects that are mutually agreed upon by the State and railroad exempted from this process, so if we do have the opportunity in the future to go forward with commuter rail or passenger rail partnership with the railroad, those projects would be exempt from this review process.

Also, as a part of this bill, we're required to set up a mandatory rail advisory committee, which will give us the opportunity to work more closely with the railroads on long term planning issues, regardless of other things that are going on in the state. We don't usually like to see things mandated in legislation for advisory committees, but in this case, it's probably going to be helpful.

There were a couple of bills, that didn't make it. One was the ADOT rule provisions bill which was really a technical cleanup bill that should have been easy to pass, but a legislator attempted to put in a no texting while driving amendment onto the bill and that was controversial enough to kill it in the closing days. So, we'll have to go back and try that one again next year. Also, Senate Bill 1507, which would have made some revisions to the State Aviation Fund, making it easier for airports to apply for grants and would also have expanded the grant program to any airports on Indian Land.

On the federal side we do have a couple of bills already on our agenda for next session and have started working with the various divisions of the agency to try and begin to craft next year's legislative program. As Victor mentioned on the federal side, it looked as though we were going to find a fix for the State Highway Fund, then Senator Harry Reed said this week that it looked as though there were going to be no budget bills passed and that took away the possibility for a fix. Then yesterday, some things started that looks like it might be in play again. So, we're just monitoring that very closely, staying in touch with our federal lobbyist, our delegation, and also with AASHTO, and just trying to monitor that carefully and do the best we can in terms of predicting what the fix may or may not be for the Highway Trust Fund and how our federal revenues are going to look going forward.

That completes the report and the wrap up for this session. Are there any questions?

CHAIRMAN SCHORR: Any questions?

FELIPE ZUBIA: Just to confirm, there was a concern with the award of a grant to Williams Gateway Airport. Is that effectively dead for now? What was that number?

GAIL LEWIS: 2156.

FELIPE ZUBIA: Can I get a copy of that?

GAIL LEWIS: Sure. Yeah, absolutely.

CHAIRMAN SCHORR: Are there any questions or comments? Let's go onto our next item which is the financial report. John, you're getting a second opportunity to talk again to us.

ITEM 4: Financial Report – John McGee

JOHN MCGEE: Thank you, Mr. Chairman. We have received our final collections for fiscal year 2008 for HURF. June collections came in at \$109.15 M, so it was down 12.3 percent from last year and over 13 percent from the estimate. Year to date HURF collections totaled \$1,344,477,000; that was down 2.7 percent from last year and was 6.6 percent under the estimate. This is only the third time in the past 20 years that HURF revenue has not grown. Probably most concerning is the fact that the trend still continues. If you look at the first six months of the year, we were up and down one or two or three percent. In January, we were down 9; March was down 8; June down 12, so it's really difficult to predict where we are in the cycle.

To reiterate what Victor said, we know these revenues will turn around. What we're experiencing is somewhat unprecedented in terms of its depth. But Arizona is a growth state and will continue to be so and these numbers will turn around; it's just a matter of time and just a matter of when.

So, I and my staff are looking at the numbers pretty hard now that we have year end numbers and trying to determine what our planning estimate will be for the coming year and we will have that for you next month. As you can see here, every category in HURF was down compared to last year and it was also down compared to the forecast. I guess what's really disturbing is with all the talk of four dollar per gallon gas, the gas tax performed best of any of the categories in the entire HURF last year. It was only down one percent. A lot of the loss was in commercial sectors, which is pretty reflective of the overall economy.

We also have RARF results through the month of May; we still don't have June's final results, but June RARF results were also quite disappointing May collections totaled \$30.374 M which was down about 4.6 percent. Not quite as bad as we were seeing in January, February, April -- March did well because it was the month that reflected the additional activity from the Super Bowl. I don't know if May is indicative of any kind of a trend or not, but a little bit better than what we've been seeing in the last few months.

Year to date collections now stand at \$349.3 M, which is down three percent from last year and 6.6 percent of the forecast. There is no doubt that we will be under last year's amount by the end of the year. This will be the first time ever since the original tax was passed back in 1984 or '85 that we have had negative results. Prior to that, the worst, I think, was 2003 when it grew about a half of a percent. But I will also point out that two or three years later RARF revenues grew 16 percent in one year. This is a tax that will go up and down very quickly.

The two areas that have been showing the poorest results also happen to be the two largest components, namely retail sales and contracting. And again, you can see how we kind of start off okay and then we just pretty well trail downhill the rest of the year compared to our forecast. With respect to our interest earnings and investment report for the month of May, ADOT earned approximately \$4.4 M of interest on its invested funds. Year-to-date earnings now stand at \$59.6 M.

And finally with respect to the HELP Fund, the HELP Fund balance as of June 30th, stood at \$77.4 M; this was down \$34.8 M mainly as a result of the payment of the \$40 M BFO that was due to the Treasurer in June. We did make that payment. We did not re-borrow that money because we simply won't have a need for it. That was offset by about \$400,000 in loan draws. We picked up about \$5.1 M in loan repayments and about half a million in interest. I would be happy to answer any questions with respect to agenda Item number 4.

CHAIRMAN SCHORR: Are there any questions? We can move on.

ITEM 5 – Financing Program – John McGee

JOHN McGEE: I just want to report that the June debt service payment of approximately \$185 M went through without a hitch, as is always good in making debt service payments. This debt service payment did include roughly a \$16 M extraordinary call on the Hoover Dam GANs that we discussed a month or two ago and that now means that we have paid off just a little over half of the original \$51 M of GANs that were borrowed for that project.

So, we're making good progress, however, Eileen Collieran continues to pound away and Victor continues to pound away at our legislative delegation. We still have that other half, but we have a goal to have it paid off by the time the bridge opens. So, we're making very good progress. The last item that I would report is that we did submit, as required by law, the Annual STAN report which we gave each of you a copy of a draft last month. What was filed was in all material respects the same information we gave you last month; however, if any of you are just yearning for your own bound copy, let me know and we'll send out bound copies. I'd be happy to answer any questions.

CHAIRMAN SCHORR: Any questions of Mr. McGee?

JOHN McGEE: Thank you, Chairman.

CHAIRMAN SCHORR: Thank you. The next item is Item number 6. Richard?

ITEM 6: 2008 Board Meeting Dates & Locations Review Study Sessions to be scheduled as needed.

RICHARD TRAVIS: Thank you, Mr. Chairman and members. Due to budget cuts over the last two years, the Department began implementing some cost saving measures. Along with that, we listed the schedule of meetings for the Board for the balance of the year. As you know, the Department incurs the cost of transporting and boarding both Board members and staff for each Board meeting, so we'd like to have a dialog today about what the Board would consider in terms of options for future Board meetings.

We've laid out several options including whether the Board would entertain canceling some of its meetings, moving some of its meetings to Phoenix to reduce travel expenses, employing teleconferencing, or video conferencing. There are video conferencing facilities at most of the District offices. For member Householder that would be a 75 mile commute as well as a 75 mile commute for Ms. Lundstrom, but I think that the rest of you are closer to your District offices.

CHAIRMAN SCHORR: Is there any further discussion (inaudible)?

MR. TRAVIS: Mr. Chairman, I have listed -- in your agenda, you will see that the August, September, October, November, and December meetings are listed with their location, and I'd just like to have a dialog with the Board about whether the Board would entertain, again, moving, cancelling, or employing teleconferencing for any of those meetings.

FELIPE ZUBIA: I'll take the first shot (inaudible). I understand the desire to meet (inaudible). I think it's a little premature particularly given the TIME Initiative (inaudible) November. If that does pass, we're going to have (inaudible). Maybe not, however, (inaudible) I don't know what the savings is and even if it's an option. (inaudible) best option for the Board, so I think it's premature at this time. (inaudible)

RICHARD TRAVIS: The cost of each meeting depends upon how far, obviously, the bulk of the travel is because of most of the staff -- the bulk of the cost is the staff travel. The farther away from Phoenix we get, the more expensive each meeting will be. A rough calculation of today's meeting is about two thousand dollars for transportation and housing.

DELBERT HOUSEHOLDER: I'd like to say this. I know that finances are bad (inaudible) I know they appreciate it. They get to come in (inaudible) and I do not think we should let that go even if the Board has to pay their own way or whatever, we still need to go to rural Arizona (inaudible). I'm against putting it all in Maricopa and Pima County. (inaudible)

CHAIRMAN SCHORR: Any other discussion?

VICTOR MENDEZ: Let me clarify a couple of elements. I'm not sure we were suggesting every meeting should be in Maricopa. I think we're suggesting there be a different schedule. You know, clearly our budgets have been trimmed. I'm not sure where you could find additional revenues. The issue of the TIME Initiative or whether it passes or not is really not relevant to our internal operations budget and you know, you can always re-implement this once the budget's kind of stabilized.

I can tell you there's a lot of discussion right now that there may still be a mid-year correction on the budget issue. They're still concerned that the State General Fund may be short and somewhere maybe up to \$300 M, maybe even more. So, we may still be facing further budget cuts. And internally within ADOT, we've already instituted several measures to be able to better manage in case there are further cuts.

So it's really something that -- not just ADOT, every agency in state government has taken a hit and a reduction in their budgets and we're being asked very clearly to rethink how we operate and look for innovative solutions to make our operations even more streamlined. There are some significant operational issues that we are facing.

BILL FELDMER: There was a great picture in the Arizona Republic, 2nd section, Valley and State, couple of days ago of a ribbon cutting of a section of freeway the thought crossed by mind, I don't want to downplay the importance of celebrating successes because I think it's very important to think about the (inaudible), how much did that cost ADOT? Do you have a feel for how much that may be?

VICTOR MENDEZ: Mr. Chairman, off the top I can tell you that, obviously, the freeway's already built and there's not going to be any cost for a venue, but a lot of what you saw out there were volunteer efforts from the local community; the water, the hotdogs, all that was donated, so it's really a minimal effort that occurs once every year and a half, maybe every two years. The one thing I can tell you, you know, I've always supported traveling to what we all call "rural Arizona." Right now, it's just simply a matter of budgeting. It's not a matter of, you know, we support one region over another; that's not the issue. The issue clearly a budgetary issue.

BILL FELDMER: I understand. The Board does review the line items within the 5-year Plan that the Board would feel appropriate, and for my part, I think that whatever we need to do to move things around to continue with the efforts that we have had across the state, I think is of primary importance.

CHAIRMAN SCHORR: Any further discussion?

VICTOR FLORES: Mr. Chairman, I also agree that it's important for us to continue this rural program. I guess my questions are, I didn't know whether there's a specific budget for, within your budget for the Board activity and all of the staff that participates. I guess I would be interested to see if there is some way that we could, we as you, could see about consolidating

staff if that's one of them. And I agree with Delbert if part of the expense of that two thousand dollars is our housing of that seven members participate in the reimbursement of our mileage then perhaps, well, I certainly would be willing to also pick up my own tab.

I'm not speaking for the other Board Members, but you know, looking at it in more detail and seeing if we could cut the two thousand down to a grand and then tweak the plan to accommodate that as well and instead of doing ten rural, we do six. I mean, I don't think there's enough information to determine that we deviate from the rural program, in my opinion.

CHAIRMAN SCHORR: Any further discussion?

CHAIRMAN SCHORR: I'd offer additional comments. Number one, I think we attempt to use terms in inexact way (inaudible) I just don't think it's a rural venue. Secondly, we have done some changes since (inaudible) came on board. I know when I got on the Board I did question -- and Victor will remember this -- the use of airplanes. At that time, we had two of them. I asked that certain studies be done to determine what the costs were of flying the plane and whether those costs were worth it or not and they seemed modestly reasonable at that time. Wherever possible I would think that we should try to use vehicular access more than airplanes because no matter what I still think even the high price of gasoline which, of course, is reflective of airplane gasoline as well, and getting around the State without planes is probably better than with a plane.

The other thing that, and the public may not be aware of this, the Board Members are reimbursed for their mileage and we do get per diem, and a number of us have chosen not to accept either per diem or the mileage because quite frankly, at least with some of us, they are rather modest amounts and the bookkeeping and the hassle isn't worth it. And I think a number of us also feel, and I think Bill expressed this, that insofar as our staying in hotels and motels and stuff and some of them are awfully nice and some are less than nice, we'd be more than willing to, I think, pay for our own digs, such as they are.

I also would like to express the notion that Felipe expressed which is that I think we do need to get some hard numbers. I think we do have to show what the performance of these costs are to see what we're dealing with, to see whether it's necessary to embrace the suggestions that Richard Travis has made or whether there is some lesser way of achieving the same goal.

So, with that in mind, could we ask that the staff prepare some information on this along the lines of the questions suggested by the Board Members? And also, the Board Members who feel that they cannot travel to a remote location; for example, if somebody's in Northern Arizona and they've got to travel to Yuma and they feel that they cannot and they'd be just as well off with a teleconference, we should consider that because that would have an impact on the cost of travel and time.

Also, the staff might think about ways of reducing the amount of time that is necessary for them to attend each particular function that we have. Richard, I know you're awfully busy and there's a lot of things going on, but I think maybe we should get some more information on this and I

can present it at the next Board meeting. Are there any other questions or comments by the Board on the subject? Do you have any questions on what we suggested?

RICHARD TRAVIS: No, we'll gather some more information. Again, the purpose of the agenda item is to get a dialog and I think you've expressed your views.

CHAIRMAN SCHORR: Let's then move on to the next item which is our January 2009 Board meeting date.

ITEM 7: January 2009 Board Meeting Date – Richard Travis

RICHARD TRAVIS: Mr. Chairman, Members, the NACOG has sent a letter requesting that the Board move its meeting date from January 16th to January 23rd so the Board meeting would coincide with the Rural Transportation Summit for 2009. There is one other issue with moving the Board meeting to the 23rd if that's the Board's desire. The new Chairman will need to be elected on or before the 19th of January. January 19th is a holiday, so we -- if you do decide to move the meeting to coincide with the Rural Transportation Summit, there needs to be a special meeting -- it could be telephonic, of the Board to elect a new Chair.

CHAIRMAN SCHORR: Are there any other ramifications of the move?

RICHARD TRAVIS: Mr. Chairman, the only other ramifications would be to the awarding contracts, but with this much notice, we could work with the State Engineer's office and Planning to make that work.

CHAIRMAN SCHORR: I think the Board members would like to check their respective calendars to see how it affects them, unless the Board is willing to act up on it today.

VICTOR FLORES: Mr. Chairman, (inaudible) I would move that we accept the recommendation to (inaudible)

CHAIRMAN SCHORR: Motion made.

BOB MONTTOYA: Second.

CHAIRMAN SCHORR: Seconded. Any discussion? All in favor, aye.

BOARD MEMBERS: [Aye unanimously.]

CHAIRMAN SCHORR: Any opposed? (inaudible) Our next item is Item 9, Priority Planning Advisory Committee.

Priority Planning Advisory Committee (PPAC) – Rakesh Tripathi

MR. TRIPATHI: Mr. Chairman, Members of the Board. For the record, my name is Rakesh Tripathi and I'm the Director of the Multi-Modal Planning Division at ADOT. I have here Item 9 to 19 for your consideration. If you have any -- at your pleasure, you can take all of these items together or if you have any question on any particular item, I'm more than happy to answer your questions.

CHAIRMAN SCHORR: Would the Board like to consider Items 9 through 19 in one fell swoop? Or would you like to take some and remove them from consideration?

BOB MONTROYA: I make a motion; if I can have a second.

DELBERT HOUSEHOLDER: Second.

CHAIRMAN SCHORR: I don't know if it necessarily requires a motion, but let's do it for the record. Motion made and seconded. All in favor, aye.

BOARD MEMBERS: [Aye unanimously.]

CHAIRMAN SCHORR: We will take Item 9 through 19 in one fell swoop.

MR. TRIPATHI: I recommend approval for Item 19. All right, thank you very much. I appreciate it.

CHAIRMAN SCHORR: Motion -- there's a recommendation from the Planning Director that we approve all of those items. Do I hear a motion in favor? Motion made and seconded. All in favor, say aye.

BOARD MEMBERS: [Aye unanimously.]

CHAIRMAN SCHORR: Any opposed? The Chair is going to recuse himself from Items 27, 28, and 30, 31, 32, 35, and 36. Item 30 is the first one on the agenda.

State Engineer's Report – Floyd Roehrich

FLOYD ROEHRICH: Mr. Chairman, I'd like to start with Item 26 if I could and give the State Engineer's report and then I'll get into the items for the bid award, if that's possible.

CHAIRMAN SCHORR: Sure.

FLOYD ROEHRICH: Not to tell you whatever direction you want to go on. I know the bad news for the future that John has laid out, at least some partial challenge for the future, but

currently we still have a pretty robust program as shown here. Of the 98 projects we have under construction right now with a \$1.4 B construction cost, over \$600 M of that is still left to be constructed. So, we've still got a pretty good program.

Also, when I get to the next item on the agenda, staff is recommending adding ten additional projects. In the month of June, we finalized 17 projects. You can see the value of those contracts. To date, this fiscal year, we finalized 127 projects. With the five new programs we continue to move forward and we'll meet the challenges that we have. I still see that we're getting great benefit off to the citizens of Arizona with these transportation facilities, so the team out there is working hard to continue to deliver as much as they can to overcome these challenges.

With that said, I would like to move then to the consent items, the bid awards. There are ten projects identified in Items 27 through 36, but there are a couple of those ten projects you can see that we're looking at a value of a buck 58.4 M dollars, but there are a couple of items on those projects that I would like to discuss. The first one is Item number 30, which is a project on SR 77 identified here. You can see this north of the Hayden/Winkelman area. It is a project to wide the existing roadway, to make it two lanes with shoulders, rock fall containment ditch, as well as some drain excavation and a little bit of structural work that was some box culverts and (inaudible).

The project, as we had estimated about \$14.8 M, the low bid received was \$8.6 M, about 41.7 percent under the Department's estimate. In that project, we received eight bids total; seven of the eight bids were all under the Department's estimate. The second lower bidder was about a little more than a M dollars higher than this bid.

As we started to analyze the bid and discuss it with the contractor, we've come to realize that some of the assumptions that we made pre-bid condition during the development phase as far as production rates, amount of equipment, the number of equipment, were quite a bit higher and different than what the contractor's needs and methods were going to be. The low bidder is Ames construction; a contractor that does quite a bit of work with the Department, and earth work is a specialty of theirs. This project does have a lot of blasting, a lot of earth work that needs to be removed.

As we sat down and discussed with the contract their means and methods as well as their production rates and their equipment, and came away from that with their methodology, we went back, reassessed our original pre-bid condition and realized that we were very close to what this estimate would have been if we would have used their assumptions as opposed to ours. Because of that analysis and looking at how it compared with the rest of the bids, we feel that we have a very competent bid and a bid that is responsive and we are going to recommend awarding of this along with the other projects. Any questions on this project?

(inaudible)

FLOYD ROEHRICH: It's all in the agenda, sir. I just wanted to share that information, and then all ten projects will be included in the consent agenda.

(inaudible)

FLOYD ROEHRICH: Yes, sir.

(inaudible)

FLOYD ROEHRICH: Well, since I've given the presentation and if it's done separate, then I would ask for a motion to award this project.

DELBERT HOUSEHOLDER: I make a motion to award.

BOARD MEMBER (inaudible): I'll second.

DELBERT HOUSEHOLDER: All in favor? (inaudible) All in favor, say aye.

BOARD MEMBERS: [Aye unanimously.]

FLOYD ROEHRICH: Thank you, sir. Then the next item that would not be on the consent agenda and would be separate is Item 32. That is the Port of Entry in San Luis; it's a federal aid project which we have coordinated with the Federal Highway Administration. They're in concurrence with this. Under this project, it's a project that includes facilities, building the port of entry, inspection stations for the commercial trucks, as well as establishing a building platform, a truck scale, separate inspection stations, small administrative buildings -- so there are a number of small buildings at the site with other facilities to develop this Port of Entry.

This project, as we originally estimated, was \$8.6 M. The low bid was about 18.4 percent over at \$10.1 M. On this project we received five bids; all of them over the Department's estimate. We met with the contractor, Austin Bridge & Road, the apparent low bidder. As we analyzed their bid, we found a couple of things - one of them is the facilities. As we looked at the cost to construct those facilities compared to what we had originally estimated, again looking at their estimates and their means and methods, we realized that we missed some things that they had a comp that raised those costs up.

In addition, steel costs were quite high on this project because the amount of steel that was needed for the scales, for the pavement, for the buildings themselves, there's a large amount of steel. And the bid costs that we've seen have been pretty fluctuating and the risks associated with that are still somewhat reflective in the price we see and that led to more than a million dollars differential on this project as well. After analyzing this bid, taking into account the information we received from the contractor, we as well feel that this is a competent bid and a responsive bid and staff is recommending award of this project.

CHAIRMAN SCHORR: Do I hear a motion?

BOB MONTTOYA: I move to award.

DELBERT HOUSEHOLDER: Second.

CHAIRMAN SCHORR: Seconded, all in favor say aye.

BOARD MEMBERS: [Aye unanimously.]

CHAIRMAN SCHORR: Any opposed? (inaudible)

FLOYD ROEHRICH: the rest of the projects are on the consent agenda, but I am willing to answer any questions the Board may have on the other eight items.

CHAIRMAN SCHORR: Does the Board have any questions? Let's then move on to Item number 37, Comments and Suggestions from the Board. Are there any comments and suggestions for items to be placed on future Board meeting agendas other than the ones we've discussed at today's meeting? If not, let's move on to number 38, Consent Agenda. I need a motion to approve that.

MR. FELDMEIERS: So moved.

CHAIRMAN SCHORR: Moved by Mr. Feldmeier. Seconded by Mr. Flores. All in favor?

BOARD MEMBERS: [Aye unanimously.]

CHAIRMAN SCHORR: Opposed. Carries as well. The next item is the Call to the Audience.

Call to the Audience

CHARLIE CASSENS: Thank you, Chairman Schorr. I'm Charlie Cassens bringing you good tidings from the purple spot on the weather map at Lake Havasu City, Arizona. And I just wanted to take a moment to let you know that we, being in Western Arizona on the west coast, Mohave City and Lake Havasu City, we do appreciate your continued attention to projects that do increase the quality of life for rural Arizona cities, towns, and the people who commute both in and around and across our great State. We do appreciate your services to the State of Arizona.

One of the items before you today that you approved was a \$644,000 landscape project on I-95, in Lake Havasu City, minuscule in comparison to the magnitude of other projects in the list, but certainly huge to those of us in Lake Havasu City. Because it is a landscape project it's in the core of our community and seen by about a hundred thousand pairs of eyes a day and it is vital to the identity of our community, so it's big to us and we appreciate that.

We're looking forward to working with Mike Kondelis and folks at the Kingman District. We get along very well with them. I just wanted to say thank you very much and I appreciate you continuing coming to rural Arizona. We do appreciate and this is Charlie talking right now, but this twenty or thirty thousand dollars a year, frankly, in my opinion, I think that's probably money well spent. Thank you.

NORM DAVIS: Mr. Chairman, Executive Board, I wanted to take the opportunity today -- I am Norm Davis with the Town of Prescott Valley -- just to thank the Board for the small program that the transportation -- has been granted. The Town of Prescott Valley has been successful with the grants in the past and we'd just like to thank the Board today for what's been put in place. We have been successful with grants in the past that are under design or under construction and those particular projects are very important to a small community like the Town of Prescott Valley and we are moving forward with building those.

They do make a difference. These are multi-use paths that are separated from the vehicle travel lanes, so they do address that multi-mobile type of alternative mode of transportation to vehicles. So, I'd like to thank the Board for what's been put in place. I would like, with the Chairman's permission, is to just hand out one of the brochures available on our website of these urban pathways and it does call out the ADOT grants that have made these projects successful.

PAUL JOHNSON: Mr. Chairman, members of the Board, Director Mendez, Paul Johnson, I'm a member of the Yuma City Council and Vice Chairman of the Yuma Metropolitan Planning Organization. I would like to thank you for your efforts and I'd really like to thank you for considering continuing to come out to rural Arizona to hear what's going on in the State. I think that's important. We have a statewide transportation system; we need statewide input. And your offer to pay your own way shows your commitment.

The main reason I stand here today is to thank you for the approval of Item number 32. That is the inspection and Port of Entry to the State Highway Park at the new commercial federal international border crossing that is supposed to be built in this upcoming fiscal year, federal fiscal year, at San Luis. That tie into a project that's been part of the larger project going on for, I guess, fifteen years on SR 195. We've already completed some segments of it, some segments are under construction, and you're going to have the final segment before you, I think, next month.

On behalf of the City of Yuma and the City of San Luis and our whole County, we would like to thank you for this. It's critical to our economic development and we appreciate all the work the staff and you all have put into this. And I might add one thing else, Dallas gave a great presentation on the need for redundancy in the State transportation system with the tie-up on I-17. I know your efforts Mr. Chairman -- to get bypasses around Phoenix and around Tucson. I don't if that will ever take place, but the fact is our interstate system and our highway system in

this State were laid out when the population of the State was less than 2 million, maybe only a million.

We're over 6 million; we're headed for 12 million, and there's no redundancy in the system. If you have a failure in any part of the system like you had in this case, the whole system comes to a halt. I would just like to thank you personally and the other members of the Board for the vision and initiative that you all have shown in trying to build a transportation system for the state for the future. Thank you.

CHAIRMAN SCHORR: Thank you for your kind words. Are there any other members of the audience that would like to address the Board? If not, then a motion to adjourn. Do I hear a motion?

CHAIRMAN SCHORR: So moved.

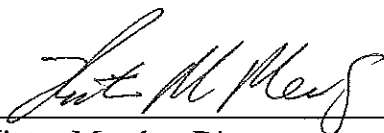
BILL FELDMEIER: Seconded.

Adjourn:

The meeting adjourned at 11:07 a.m.



Si Schorr, Chairman
State Transportation Board



Victor Mendez, Director
Arizona Department of Transportation